

**Cash Management Policy for Federal Funds**

Policy Area: Cash Management	Effective Date: 07/01/1993
Policy Sub Area: NA	Last Revision Date: NA
Authority: G. S. 143B-426.37 and 143B-426.39(5)	Policy Owner/Division: Statewide Accounting

Policy

The purpose of this policy is to ensure that neither the federal government nor the State of North Carolina benefits or suffers financially as a result of the transfer of cash in support of State-administered federal assistance programs. This policy shall apply to all funds received from federal assistance programs and deposited into the State Treasurer's account by agencies and institutions.

- Agencies and institutions are to schedule their requests for federal funds so that the receipt (deposit) of those funds occurs as close as practicable to the issuance of state warrants or payments by Electronic Funds Transfer.
- If the federal program is funded through a letter of credit or similar mechanism, and is not required by federal law to operate on a reimbursable basis, federal funds must be requested in advance of the issuance of the associated disbursement. However, the request for federal funds should be timed so that the funds are on deposit in the account with the State Treasurer no more than three business days prior to the date of issuance of the disbursement by state warrant or payments by Electronic Funds Transfer. Federal funds that are used to fund payroll costs for federal assistance programs must be drawn down on payday and not before.
- Reimbursable federal programs are programs in which the State is required to pay, with State funds, the federal portion of grants with later reimbursement by the federal government of these expenditures. This later reimbursement causes the State to lose interest on its funds, while the federal government is using the State's funds to cover its expenditures.
- If the federal program is required by federal law to be funded on a reimbursable basis, the request for federal funds is to be timed so that the deposit of federal funds to an account of the State Treasurer occurs on the date of issuance of the warrants or the date of disbursement by Electronic Funds Transfer. If necessary, the grant agreement should be negotiated or renegotiated to allow for this timing. The basis for requesting that federal funds be available prior to the actual payment of cash recognizes that the funds are constructively disbursed on the books of the agency or institution and the State Controller on the issuance date of the payment.
- If the federal program is funded on a reimbursable basis due to this method being specified in the grant agreement or federal regulation, but not specified in a federal law, then the agency or institution should renegotiate, where practicable, the grant agreement to allow for drawing the federal funds within three business days of the date of the disbursement by warrants or payment by Electronic Funds Transfer.

- Agencies and institutions utilizing cost allocation plans or indirect cost proposals must request frequent reimbursement of these indirect costs. The amount requested should be an accurate estimate of the indirect costs incurred for the federal program. When the actual indirect costs for the federal program are determined, then any difference between the estimated and actual amounts may be adjusted at that time.
- For federal programs in which the grant has traditionally been funded at the completion of the project, the agencies and institutions should negotiate the grant agreement to allow for progress payments during the life of the grant. Such progress payments should be received concurrent with the disbursement of funds, similar to the conditions noted in 3(b) above.
- Agencies or institutions must use, when available, the U. S. Treasury's most up-to-date Electronic Funds Transfer system or, at a minimum, wire transfer, in cash transactions with the federal government. Such an approach must include a mechanism that ensures a timely confirmation of the receipt of a specific transfer into the State Treasurer's account so that the agency or institution can properly account for such funds.
- No agency or institution is to enter into an agreement with a federal agency that provides a funding technique under which the State would receive federal funds based on warrants cleared or a warrant clearance pattern without the written consent of the State Controller.
- A sub-grantee agency must estimate or provide actual administrative costs to the grantee agency to ensure that the sub-grantee agency's administrative costs are funded by federal flow- through funds on the day that those costs are disbursed. The sub-grantee agency must bill the grantee agency for other program funds no later than 5 business days after such funds have been disbursed.
- Agencies or Institutions receiving refunds of expenditures from any Federal program must reduce the next draw of Federal funds for that program in an amount equal to the refund.

Procedures

NA

Accounting Guidance

NA

Related Documents (Memos/Forms)

NA

Revision History

Date	Description
NA	